

INCOMING TELEGRAM *Department of State*

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SUBJ: TRILATERAL TALKS

1. EMBOFF REVIEWED WITH BARNES (HEAD, WESTERN ORGANIZATIONS DEPT - FONOFF) RESULTS OF FRG EMISSARY DUCKWITZ' VISIT LONDON AT THE END OF LAST WEEK AND PREVIEWED LINE TO BE TAKEN BY THOMSON AND BARNES IN WASH THIS FRIDAY.

2. BARNES SAID ON OFFSET DUCKWITZ HAD TOLD BRITISH THAT IN VIEW GERMANY'S CURRENT ECONOMIC AND BUDGETARY PROBLEMS, IT HAD BEEN DECIDED THAT FOR REMAINDER CY 67 (I.E. FROM 1 APRIL ONWARDS, AFTER EXPIRY OF PRESENT

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OFFSET AGREEMENT) NO PROVISION CAN BE MADE FOR ADDITIONAL OFFSET PAYMENTS IN DEFENSE SECTOR. APPROXIMATELY DM 120 MILLION CAN BE MADE AVAILABLE FOR 1968. DUCKWITZ SAID AS REGARDS OFFSET PAYMENTS OUTSIDE DEFENSE SECTOR, FRG IS PREPARED TO PROCEED AS IN PAST BUT IS NOT IN POSITION TO PROVIDE ADDITIONAL BUDGETARY FUNDS.

3. ON STRATEGY AND FORCE LEVELS, DUCKWITZ STRESSED IMPORTANCE FRG PLACES ON CONTINUED STATIONING OF SUBSTANTIAL US AND UK FORCES IN GERMANY. MAJOR REDUCTIONS OF THESE FORCES WOULD JEOPARDIZE COLLECTIVE SECURITY OF NATO. HOWEVER FRG WOULD NOT RULE OUT THAT IN LONG TERM POLITICAL DEVELOPMENTS AND TECHNOLOGICAL PROGRESS ANY MAKE REDEPLOYMENTS OF FORCES PRESENTLY STATIONED IN GERMANY POSSIBLE. THIS QUESTION SHOULD BE THOROUGHLY

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EXAMINED IN TRILATERAL TALKS, WHERE URGENT CONSIDERATION SHOULD BE GIVEN TO FOLLOWING QUESTIONS:

A. HOW AND TO WHAT EXTENT WOULD THE CAPABILITY OF NATO FORCES ON THE CENTRAL FRONT TO RESPOND EFFECTIVELY TO ALL CONTINGENCIES BE AFFECTED BY:
(1) CHANGES IN THE SIZE AND DEPLOYMENT OF GROUND,

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AIR AND NAVAL FORCES (COMBAT AND SUPPORT) MAINTAINED ON THE CONTINENT;

(2) CHANGES IN THE LEVEL OF COMBAT STOCKS MAINTAINED.

B. WHAT ARE THE TECHNICAL AND MILITARY PREREQUISITES FOR A TIMELY REINFORCEMENT OF THE NATO ARMED FORCES ON THE CENTRAL FRONT BY FORCES OF THE UNITED STATES AND BRITAIN WHICH WOULD BE BROUGHT IN FROM ABROAD?

C. BY WHAT MEASURES CAN THE EFFECTIVENESS OF THE ARMED FORCES ON THE CENTRAL FRONT BE INCREASED?
WHAT OTHER POSSIBILITIES EXIST OF ABVIATING ANY DETRIMENTAL MILITARY EFFECTS OF REDEPLOYMENTS?
AIM OF STUDY WOULD BE TO DRAW UP PLAY FOR FUTURE STRENGTH OF US AND UK FORCES IN GERMANY FOR PERIOD UP TO 2'972.

4. DUCKWITZ RAISED QUESTION OF POSSIBLE RECIPROCAL FORCE WITHDRAWALS WITH SOVIETS. HE SUGGESTED AN AGREEMENT SHOULD FIRST BE SOUGHT WITH SOVIETS BEFORE DECISIONS ARE TAKEN ON REDEPLOYMENT OF WESTERN FORCES IN GERMANY. SUITABLE STARTING POINT FOR EXPLORATORY TALKS WOULD BE SOVIET MEMORANDUM OF 28 JAN 2964 SUBMITTED TO ENDC IN WHICH

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SOVIETS DECLARED WILLINGNESS TO WORK OUT MUTUAL WITHDRAWALS. SINCE IT IS CONCEIVABLE HOWEVER THAT SOVIET WILL NOT MAINTAIN ITS OFFER TO AGREE ON MUTUAL REDUCTION, POSSIBILITY OF ARRANGING REDUCTIONS BY WAY OF "MUTUAL EXAMPLE" SHOULD NOT BE RULED OUT. IF, IN TURN, SOVIET REACTION IS COMPLETELY NEGATIVE EVEN TO THIS APPROACH, THIS WILL BE IMPORTANT FACTOR IN ASSESSING THREAT. HOWEVER, EVEN IF AFTER ALL THIS REDEPLOYMENTS RESULT FROM TRILATERAL CONSIDERATION AND AGREEMENT IT WOULD BE POSSIBLE FOR WEST TO USE THIS IN EFFORT TO REDUCE TENSIONS. WEST COULD NOTIFY USSR OF IMMINENT REDEPLOYMENTS AND INVITE IT TO FOLLOW EXAMPLE OF WEST.

5. BARNES SAID BRITISH RESPONSE TO DUCKWITZ' PRESENTATION

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HAD BEEN DESIGNED "TO MAKE HIS BLOOD RUN COLD." BOTH PARTS OF DUCKWITZ PRESENTATION HAD BEEN CHARACTERIZED AS COMPLETELY UNACCEPTABLE TO BRITISH. WITH REGARD TO OFFSETS BRITISH DO NOT BELIEVE THIS REPRESENTS GERMANY'S LAST WORD "AND IT SHOULD NOT BE ACCEPTED AS SUCH." FIRST PROBLEM FOR THOMSON IN COMING TALKS IN WASH WILL BE TO ATTEMPT TO PERSUADE US IT IS IN JOINT INTEREST "TO SCREW UP FRG TO MAXIMUM THEY CAN PRODUCE." WHILE PM WILL NOT GET INTO THIS SUBJECT IN

DETAIL IN HIS CURRENT VISIT TO BONN, HE INTENDS TO LET GERMANS KNOW THAT BRITS ARE "HORRIFIED" AT GERMAN POSITION AND STRESS URGENCY OF FRG RECONSIDERATION. THIS IS APPARENTLY A FURTHER SHOT IN WAR OF NERVES WHICH BRITISH ARE GEARING THEMSELVES UP TO. BARNES SAID, INCIDENTALLY, THAT THOMSON WOULD MAKE CLEAR THAT UK IS NOT INTERESTED IN FRG BOND PURCHASES TO NEUTRALIZE FOREIGN EXCHANGE ("UNLESS THEY WERE 100-YEAR, NON-INTEREST BEARING AND NON-REDEEMABLE" BARNES SAID WITH A SMILE). WHILE BRITISH WERE READY TO CONSIDER MULTILATERAL PAYMENTS SCHEMES, THEY HAVE SEEN NOTHING CONCRETE YET OUT OF WASH AND ARE CLEARLY SKEPTICAL THAT ANYTHING WILL EMERGE FROM THIS APPROACH.

6. BARNES SAID BRITISH HAD PRESENTED UNITED FRONT TO DUCKWITZ IN MAKING CLEAR THAT GERMAN APPROACH TO CONTINUATION OF TRILATERAL TALKS WAS ALSO UNACCEPTABLE. THEY WOULD BE CHARGED WITH MAKING IT CLEAR IN WASH ALSO THAT BRITISH HAD TO HAVE CONCRETE DECISIONS BY JULY 1. GERMAN APPROACH, LIKE THAT DISPLAYED BY US IN PAST, WAS "TOO LEISURELY." BRITISH WOULD MAKE CLEAR THAT THEIR OBJECTIVE NOW WOULD BE TO WORK OUT SPECIFICS OF UK BAOR REDUCTIONS NECESSARY TO MEET GAP REMAINING AFTER MAXIMUM JOINT PRESSURE HAD BEEN APPLIED TO GERMANS ON OFFSET. BRITISH WOULD LIKE TO WORK OUT AN "APPETIZER" IN FORM OF REDUCTIONS WHICH THEY COULD PRESENT TO SOVIETS WITH A SUGGESTION THAT THERE WOULD BE MORE TO COME IF SOVIETS WOULD RECIPROCATE. (COMMENT: BARNES WHO WAS PRESENT AT KOSYGIN TALK REPORTED IN LONDON 6503, SAID HE DID NOT REGARD SOVIETS POSITION THAT BOUNDARY SETTLEMENT WAS A PREREQUISITE TO DISCUSSION OF TROOP WITHDRAWALS "WAS LAST WORD.")

7. IN SUM, THOMSON'S MESSAGE IN WASH WOULD BE TO EFFECT THAT PRESENT SITUATION IN TRILATERAL TALKS IS A "MESS," THAT URGENT CLEAR-CUT AND CONCRETE DECISIONS ARE MANDATORY FOR BRITISH AND THAT WE MUST "CUT THE CACKLE" BEGINNING WITH MEETING SCHEDULED FOR LONDON FEB 27. BRITISH ALSO HOPE TO GAIN US AGREEMENT THAT BRITISH PROBLEM IS MORE URGENT THAN US'S. KAISER

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